E8000406-0411 PET 15-1 LIBYA (R)
XR PET 6 LIBYA

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XR PET 6 KUW

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ACTION E=15

INFO OCT=01 AF=12 EUR=20 NEA=13 RM=05 NSC=10 SS=20 RSC=01
L=04 CIAE=00 INR=07 NSAE=00 OEP=01 COM=08 INT=06

RSR=01 /124 W

R 030545Z JUL 70
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 3039
INFO AMEMBASSY BEIRUT
AMCONGEN DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI

DEPARTMENT OF STATE 07/5800MR
REVIEWED BY CJ DATE 8/7/81
RDS ☐ or XDS ☐ EXT. DATE
TS. AUTH. REASON(S)
ENDORSE EXISTING MARKINGS ☐
DECLASSIFIED ☑ RELEASABLE ☑
RELEASE DENIED ☐
FA or FOI EXEMPTIONS

C O N F I D E N T I A L KUWAIT 702

SUBJ: PETROLEUM: LIBYAN CUTBACKS AND KUWAIT OFFTAKE RATES

REF: STATE 120689 (NOTAL) — PET 15-1 LIBYA
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1. ALTHOUGH COMBINED OFFTAKE RATES KUWAIT'S THREE PRODUCING CONCESSIONAIRES--KOC, AMINOIL, AND AOC--UP 8.2 PERCENT OVER 1969 FOR JANUARY-JUNE PERIOD, WE FIND NO RPT NO EVIDENCE INCREASES CAUSED BY LIBYAN PRODUCTION CUTBACKS, WHICH NOT ANNOUNCED UNTIL JUNE. TO CONTRARY, EXPECT FIGURE WILL DROP DURING SECOND HALF 1970, PARTLY BECAUSE TANKER SQUEEZE RESULTING FROM LIBYAN SITUATION AND TAPLINE CLOSURE ALREADY HAVING INHIBITING EFFECT HERE.

2. KOC OFFICIALS TELL US JULY WAS OFF MONTH AND NOTE SEVERAL RECENT DAYS SAW THEIR PRODUCTION DOWN TO 1.5 MILLION BARRELS, BECAUSE OF TANKER SHORTAGE. KOC HAS AVERAGED 2.7 MILLION BARRELS/DAY DURING FIRST HALF 1970.

3. NO US OR FOREIGN COMPANY SO FAR FORCED REDUCE OUTPUT IN LIBYA, IS ALSO PRODUCING HERE. KOC PARENT,

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BP OPERATES IN LIBYA WITH BUNKER HUNT BUT WE UNDER-
STAND THEY HAVE NOT AS YET RECEIVED ANY CUTBACK ORDERS.
ROYAD DUTCH/SHELL WHICH HAS NON-PRODUCING KUWAIT OFFSHORE
CONCESSION OWNS ONE-SIXTH OASIS CONSORTIUM UPON WHICH
LARG HAS LEVIED 150,000 BARREL/DAY CUTBACK EFFECTIVE
AUGUST 1. ROYAD DUTCH REGULARLY TAKES ONSHORE KUWAIT
CRUDE FROM OTHER KOC PARENTS GULF, THROUGH THIRD-PARTY
SALES ARRANGEMENTS.

4. COMMENT: THERE POTENTIAL CONNECTION BETWEEN LIBYAN
CUTBACKS AND KUWAIT OFFTAKE RATES, BU NO RPT NO DIRECT
CAUSE-EFFECT RELATIONSHIP NO EXISTS. COMPANIES' RELATIVELY
GOOD PERFORMANCE HERE DURING FIRST HAVLF YEAR DUE KOC'S
INCREASED PRODUCTION AND HANDLING FACILITIES AS WELL AS
REUUVENATED EFFORT BY AMINOIL IN FINDING NEW CUSTOMERS
AND SOLVING SOME SULFUR PROBLEMS. ALTHOUGH LONG-TERM
REDUCTION MEDITERRANEAN CRUDES AVAILABLE FOR EUROPE WILL
INEVITABLY CAUSE SOME INCREASE IN DEMAND FOR OIL FROM
GULF AREA, IT WILL TAKE A WHILE YET FOR FIRM PATTERNS TO
EMERGE AND TO LEARN WHO ACTUALLY GETTING BENEFITS OF ANY
NEW SITUATION. FOR ITS PART, GOK WILL PROBABLY RESIST
TEMPTATION SQUEEZE COMPANIES FOR MORE THAN NORMAL INCREASES
FOR 1970. WE FEEL TANKER SHORTAGE AND VARIETY OTHER
POLITICAL/ECONOMIC FACTORS WILL SERVE BY YEAR'S END TO
REDUCE OFFTAKE RATES TO VICINITY THEIR TRADITIONAL
6 PERCENT.
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